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SECRET

26 JAN 1960

MEMORANDUM FOR: The Vice President

SUBJECT: Proportion of Gross National Product Used for Soviet Military Purposes

1. This memorandum is in response to your question at the 21 January National Security Council concerning the proportion of Gross National Product (GNP) utilized for military expenditures in the USSR.

2. Estimated 1959 Soviet military expenditures (142 billion rubles) were almost 10 percent of Soviet GNP; estimated 1960 expenditures (160 billion rubles) will be slightly more than 10 percent of their GNP. The above estimates accept the 3.6 million troop strength announced by Khrushchev on 14 January.

3. We estimate that when converted into dollar values this Soviet military effort would come to about 38 billion dollars in 1959 and 41 billion dollars in 1960. These dollar amounts are respectively 17 and 18 percent of Soviet GNP, when it is similarly calculated in US prices.

4. The actual burden of military expenditures on the Soviet economy in 1960 is accurately represented by neither the 10 percent nor the 18 percent figure, but by some percentage in between. The reason for this is that neither US prices nor the arbitrarily administered Soviet prices reflect real resource costs in the Soviet Union.

SIGNED

(EXECUTIVE REGISTRY FILE

ALLEN W. DULLES
Director

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MEMORANDUM FOR: The Vice President

REFERENCE: Proportion of Gross National Product Used for Soviet Military Purposes

1. We estimate, using Khrushchev's own figures of troop strength, that Soviet 1959 military outlays were about 10 percent of Soviet GNP.

2. Measured in dollar prices Soviet military expenditures in 1959 would be valued at about 17 percent of the dollar value of GNP.

ALLEN W. DULLES
Director

CONCUR:

[redacted] STAT

DEPUTY DIRECTOR INTELLIGENCE

21 JAN 1960

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